

AGRESERVES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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COMPANIES HOUSE

BALANCE SHEET
AS AT 31 DECEMBER 2016

| | Note | 2016 £ | 2015 £ |
|--|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 4 | 78,846 | 6,766 |
| Tangible assets | 5 | 1,748,301 | 1,931,302 |
| Investments | 6 | 20,691 | 22,712 |
| | | <u>1,847,838</u> | <u>1,960,780</u> |
| Current assets | | | |
| Stocks | 7 | 5,423,244 | 5,609,419 |
| Debtors: amounts falling due within one year | 8 | 1,032,820 | 1,976,580 |
| Cash at bank and in hand | 9 | 16,108,167 | 15,193,775 |
| | | <u>22,564,231</u> | <u>22,779,774</u> |
| Creditors: amounts falling due within one year | 10 | (4,700,688) | (5,017,269) |
| Net current assets | | <u>17,863,543</u> | <u>17,762,505</u> |
| Total assets less current liabilities | | <u>19,711,381</u> | <u>19,723,285</u> |
| Provisions for liabilities | | | |
| Deferred tax | | (271,241) | (325,711) |
| Net assets | | <u><u>19,440,140</u></u> | <u><u>19,397,574</u></u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 4,100,000 | 4,100,000 |
| Other reserves | 12 | 5,350,000 | 5,350,000 |
| Profit and loss account | 12 | 9,990,140 | 9,947,574 |
| | | <u><u>19,440,140</u></u> | <u><u>19,397,574</u></u> |

AGRESERVES LIMITED
REGISTERED NUMBER: 02947030

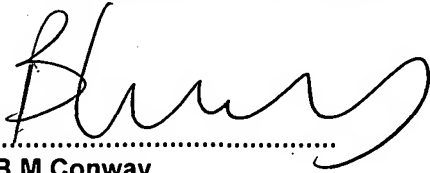
BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2016

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
Mr B M Conway
Director

Date: 25/09/2017

The notes on pages 3 to 13 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. General information

AgReserves Limited is a company limited by shares incorporated in England and Wales under the Companies Act.

The registered number and the address of the registered office is given in the Company information.

The principal activity of the Company during the year was that of arable farming.

The functional and presentational currency of the Company is pounds sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company accounting policies.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from crop sales is recognised upon receipt of the goods by the customers. Whilst goods are in transit, the risk and reward of ownership remain with the company. Single farm payments and subsidy income are recognised in the period they relate to.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

| | |
|------------------------------------|---------------------------------|
| Single farm payment entitlements - | Remaining review period to 2020 |
|------------------------------------|---------------------------------|

2.4 Tangible fixed assets

Individual fixed assets costing more than £10,000 are capitalised at cost.

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | |
|---------------------|------------------------------------|
| Plant and machinery | - Straight line over 3 to 10 years |
|---------------------|------------------------------------|

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Operating leases: the Company as lessor

Rentals income from operating leases is credited to the Statement of Comprehensive Income on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.7 Valuation of investments

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.8 Stocks

Agriculture produce is held under cost model, being stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on an allocation of costs. Cultivations and crop in store include labour and attributable overheads.

Cultivations cost is determined on an overhead allocation basis. Cultivations are in the early stages of growth at the year end and therefore their market value cannot be determined.

Crop in store are valued at the lower of cost and net realisable value, with reference to market value and contracted future sales.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised in profit and loss.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Derivative financial instruments

The company also enters into non-basic financial instruments transaction such as forward foreign currency contracts, that result in the recognition of financial assets and liabilities. Derivative financial instruments are recognised at fair value through profit and loss, and are revalued to fair value at the end of each reporting period using a valuation technique. Any gains or losses being reported in profit or loss. Outstanding derivatives at the reporting date are included under the appropriate format heading depending on the nature of the derivative.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.14 Pensions

The company is part of a defined benefit scheme operated by The Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plan. The fund is valued every three years by a professionally qualified independent actuary, with rates of contributions payable being determined by the actuary. In intervening years the actuary reviews the continuing appropriateness of the rates.

Pension costs are accounted for on the basis of contributions made in the year or accrued at the year end, on a defined contribution basis, as requested by FRS 102 as the company is unable to identify its share of the underlying assets and liabilities of the scheme. Full details of the plan are provided in the financial statements of The Church of Jesus Christ of Latter-day Saints (Great Britain).

The company is not liable to the plan for other entities obligations under the terms and conditions of the multi employer pension plan.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Employees

The average monthly number of employees, including directors, during the year was 15 (2015 - 15).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. Intangible assets

| | Single farm payment entitlements £ |
|-----------------------|---|
| Cost | |
| At 1 January 2016 | 323,475 |
| Additions | 81,592 |
| At 31 December 2016 | <u>405,067</u> |
| Amortisation | |
| At 1 January 2016 | 316,709 |
| Charge for the year | 9,512 |
| At 31 December 2016 | <u>326,221</u> |
| Net book value | |
| At 31 December 2016 | <u><u>78,846</u></u> |
| At 31 December 2015 | <u><u>6,766</u></u> |

Amortisation of intangible assets is included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5. Tangible fixed assets

| | Plant and machinery £ |
|-------------------------------------|-----------------------------|
| Cost or valuation | |
| At 1 January 2016 | 4,435,986 |
| Additions | 526,182 |
| Disposals | (579,609) |
| At 31 December 2016 | <u>4,382,559</u> |
| Depreciation | |
| At 1 January 2016 | 2,504,684 |
| Charge for the year on owned assets | 515,058 |
| Disposals | (385,484) |
| At 31 December 2016 | <u>2,634,258</u> |
| Net book value | |
| At 31 December 2016 | <u>1,748,301</u> |
| At 31 December 2015 | <u>1,931,302</u> |

6. Fixed asset investments

| | Listed investments £ |
|--------------------------|----------------------------|
| Cost or valuation | |
| At 1 January 2016 | 22,712 |
| Revaluations | (2,021) |
| At 31 December 2016 | <u>20,691</u> |
| Net book value | |
| At 31 December 2016 | <u>20,691</u> |
| At 31 December 2015 | <u>22,712</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7. Stocks

| | 2016 £ | 2015 £ |
|---------------|------------------|------------------|
| Cultivations | 2,392,600 | 2,690,122 |
| Crop in store | 3,030,644 | 2,919,297 |
| | <u>5,423,244</u> | <u>5,609,419</u> |

Stock recognised in cost of sales during the year as an expense was £3.5m (2015 - £3.3m).

An impairment loss of £1.4m (2015 - £0.9m) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

8. Debtors

| | 2016 £ | 2015 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 858,092 | 939,465 |
| Amounts owed by group undertakings | 145,301 | 268,331 |
| Other debtors | 29,427 | 675,925 |
| Prepayments and accrued income | - | 61,382 |
| Tax recoverable | - | 30,050 |
| Financial instruments | - | 1,427 |
| | <u>1,032,820</u> | <u>1,976,580</u> |

An impairment loss of £5,000 (2015: £8,000) was recognised in administrative expenses against trade debtors during the year due to bad debts.

Amounts owed by group undertakings are interest free and repayable on demand.

9. Cash and cash equivalents

| | 2016 £ | 2015 £ |
|--------------------------|-------------------|-------------------|
| Cash at bank and in hand | 16,108,167 | 15,193,775 |
| | <u>16,108,167</u> | <u>15,193,775</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. Creditors: Amounts falling due within one year

| | 2016 £ | 2015 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 113,013 | 52,191 |
| Amounts owed to group undertakings | 4,280,889 | 4,762,180 |
| Corporation tax | 19,519 | - |
| Other taxation and social security | 126,426 | 111,499 |
| Other creditors | 36,150 | 33,581 |
| Accruals and deferred income | 62,159 | 57,818 |
| Financial instruments | 62,532 | - |
| | <u>4,700,688</u> | <u>5,017,269</u> |

Amounts owed to group undertakings are interest free and repayable on demand.

11. Share capital

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| Shares classified as equity | | |
| Allotted, called up and fully paid | | |
| 4,100,000 Ordinary shares of £1 each | <u>4,100,000</u> | <u>4,100,000</u> |

12. Reserves

Other reserves

Other reserves comprise capital reserves.

Profit and loss account

Profit and loss account includes all current and prior period retained profits and losses.

13. Pension commitments

The company participates in a pension scheme operated by The Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plans ("the Plan"). This scheme is of the defined benefit type and is funded by contributions from the participating companies and their employees at rates determined by independent actuaries in the light of regular valuations. Such contributions are held in trustee-administered funds completely independent of group finances. Full disclosure of the valuation is shown in the accounts of The Church of Jesus Christ of Latter-day Saints (Great Britain). The company has accounted for the scheme as if it was a defined contribution scheme because it is not feasible to split the assets and liabilities of the scheme between all the companies whose employees are members. Contributions to the scheme for the year were £136,153 (2015: £125,952).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2016 £ | 2015 £ |
|-----------------------|----------------|----------------|
| Not later than 1 year | 942,044 | 899,598 |
| | <u>942,044</u> | <u>899,598</u> |

15. Related party transactions

As a wholly owned subsidiary of Farmland Reserve UK Limited, the company is exempt from the requirements of FRS 102 to disclose transactions with other wholly owned members of the group, and therefore transactions with the parent company Farmland Reserve UK Limited have not been disclosed.

| | 2016 £ | 2015 £ |
|---------------------------------------|----------------|----------------|
| Key management personnel compensation | 199,466 | 282,545 |
| | <u>199,466</u> | <u>282,545</u> |

16. Controlling party

The immediate parent company is Farmland Reserve UK Limited. The ultimate holding company is Farmland Reserve Inc., a company incorporated in the state of Utah, United States of America. This is the largest and smallest group of undertakings for which group accounts are drawn up.

17. Auditors' information

The Independent Auditor's Report was unqualified. The name of the Senior Statutory Auditor who signed the audit report was Stuart Manning FCA who signed for and on behalf of MHA MacIntyre Hudson.